

# CALIFORNIA INSTITUTE FOR REGENERATIVE MEDICINE



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July 19, 2006

Dear Governor Schwarzenegger:

In November 2004, more than 59 percent of California voters approved Proposition 71, the California Stem Cell Research and Cures Act, which authorizes and funds stem cell research in California through the issuance of \$3 billion in general obligation bonds. Despite the overwhelming support for publicly-funded stem cell research in California, however, a small group of opponents has succeeded in slowing the Institute's progress by challenging the constitutionality of Proposition 71. As a result of the litigation, the State has been unable to issue bonds and the Institute has moved forward with a smaller Bond Anticipation Note program.

More than 18 months have passed since the voters approved Proposition 71, and the measure's opponents have now had an opportunity to demonstrate that the act is unconstitutional. After a four-day trial and the submission of thousands of pages of evidence, however, they succeeded in demonstrating the exact opposite. The trial court concluded that Proposition 71 is constitutional and found that the California Institute for Regenerative Medicine functions like other state agencies. The plaintiffs have now appealed the trial court's decision.

Notwithstanding this litigation, the California Institute for Regenerative Medicine, with the help of other state agencies, has laid the foundation for California's ambitious program. The California Stem Cell Research and Cures Finance Committee, which is comprised of the Director of Finance, the Controller, the Treasurer, the Chair of the Independent Citizens' Oversight Committee, and two members of the ICOC appointed by the Chair, held two public meetings and approved the issuance of \$3 billion in general obligation bonds and authorized the Treasurer to issue \$200 million without further action of the Committee. The Committee also authorized the issuance of up to \$200 in bond anticipation notes, of which \$14 million have been sold to private philanthropic organizations and individuals who, after review by their independent counsel, have exhibited a great confidence in the court decision. Those individuals are John and Rebecca Moores, Irwin and Joan Jacobs, Eli and Edythe Broad, John and Ann Doerr, William and Ute Bowes, and Richard Blum.

We anticipate that we will finalize the sale of an additional \$30 to \$35 million of bond anticipation notes to additional philanthropic individuals and organizations within the next 60 days, leaving at least \$150 million authorized but not issued. In addition, the California Institute for Regenerative Medicine has made substantial progress in establishing a regulatory foundation within which the research will be conducted, and it has begun its funding with 169 research fellowships at 16 of California's leading research universities, research hospitals, and non-profit research institutions.

However, the CIRM has been unable to pursue the vital research programs on the scale mandated by the voters because the State cannot, as a practical matter, issue general obligation bonds while the appeal is pending. Furthermore, the opponents of stem cell research continue to attack the program to prevent the research from proceeding. Most recently, they filed a lawsuit challenging the agency's award of training grants to various campuses of the University of California.

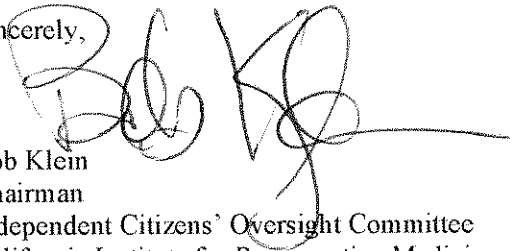
With our strong court decision, and the affirmation of our legal position through financial commitments of the civic leadership of California, this would be an extraordinarily appropriate time for the State of California to reaffirm its commitment to stem cell research and Proposition 71, a public mandate approved by 59 percent of California voters.

In order to honor the voters' mandate and to restore their faith in the democratic process in California, it is critical that the California Institute for Regenerative Medicine have the capacity to raise the funding to initiate the major stem cell funding program approved by California's voters. With the veto of HR 810, as passed by the U.S. House of Representatives and the U.S. Senate, the President of the United States has denied the opportunity for expansive federally funded stem cell research that has the potential to assist over 120 million Americans and their families who suffer from chronic disease or injury. The California voters have given the state the opportunity to lead stem cell research for California and the nation. California has 50% of all the biotech research capacity in the nation and it has more research capacity, considered as a nation, than any other nation in the world.

As Chair and Vice Chair of the Institute's board, we ask you to help us with this critical mission by lending the State's financial support to the Institute pursuant to the interim financing authority existing in Proposition 71 until the State is in a position to issue general obligation bonds. For California voters and for the millions of California citizens who suffer from chronic diseases and injuries that could, in the future, be treated or cured with stem cells – for all Americans - this is a matter of critical importance.

Thank you for your consideration of this request and for your commitment to stem cell research.

Sincerely,



Bob Klein  
Chairman  
Independent Citizens' Oversight Committee  
California Institute for Regenerative Medicine



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Vice Chairman  
Independent Citizens' Oversight Committee  
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